

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, DC 20554**

In the Matter of	)	
	)	
Lifeline and Link Up Reform and Modernization	)	WC Docket No. 11-42
	)	
Lifeline and Link Up	)	WC Docket No. 03-109
	)	
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45
	)	
Advancing Broadband Availability Through Digital Literacy Training	)	WC Docket No. 12-23
	)	

**REPLY COMMENTS OF SPRINT NEXTEL CORPORATION**

Sprint Nextel Corporation (“Sprint”) hereby respectfully submits its reply to comments filed on April 2, 2012 in the Further Notice of Proposed Rulemaking (“FNPRM”), released on February 6, 2012 as part of the Commission’s *Lifeline Reform Order*.<sup>1</sup> Sprint’s reply addresses comments on the application of the Lifeline discount to bundled service offerings. Interested parties submitted comments on the issue of “whether to further revise [the] rules to require ETC subscribers to apply their Lifeline discount on any bundle that includes a voice component.” Sprint supports the Commission’s flexible approach on this issue adopted in the *Lifeline Reform Order*, and opposes mandated application of the Lifeline discount to all ETC offerings that include a voice component.

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<sup>1</sup> *Lifeline and Link Up Reform and Modernization*, WC Docket No. 11-42; *Lifeline and Link Up*, WC Docket No. 03-109; *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45; *Advancing Broadband Availability Through Digital Literacy Training*, WC Docket No. 12-23; *Report and Order and Further Notice of Proposed Rulemaking*, FCC 12-11, released Feb. 6, 2012 (“*Lifeline Reform Order*”).

The *Lifeline Reform Order* for the first time explicitly provides eligible telecommunications carriers (“ETCs”) with the opportunity to offer bundled service packages with a voice component to Lifeline subscribers and provides Lifeline subscribers with the opportunity to apply their Lifeline discount to a bundled service package.<sup>2</sup> The Commission wisely stopped short of mandating that ETCs make available a Lifeline discount on all service offerings. Such a mandate, rather than increasing Lifeline consumer choice and value, could well have the opposite effect in the marketplace.

There can be no question that the Lifeline participation rate soared in recent years when Lifeline subscribers were presented with service plans from prepaid wireless carriers that offered unrivaled value in the form of a block of free monthly wireless service.<sup>3</sup> As competition in the Lifeline marketplace increased, so did the number of free minutes in the block and the number of service plan offerings.<sup>4</sup> Sprint affiliate Virgin Mobile USA, L.P.’s Lifeline branded service, Assurance Wireless Brought To You By Virgin Mobile (“Assurance Wireless”), offers Lifeline customers the choice of three different prepaid service plans depending on the customer’s anticipated usage level:

- 250 free anytime minutes each month.
- 500 anytime minutes for \$5 (comprised of 250 free minutes plus 250 additional minutes).
- 1000 anytime minutes and 1000 text messages for \$20 (comprised of 250 free minutes plus 750 additional minutes and 1000 text messages).

With each Assurance Wireless plan, additional voice minutes are available for 10 cents/minutes and text messages are available for 10 cents/text, the best a la carte rates available to Virgin Mobile customers for these services. Lifeline customers also have the opportunity to purchase

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<sup>2</sup> 47 C.F.R. §§ 54.401, 54.403.

<sup>3</sup> *Lifeline Reform Order*, ¶ 23.

<sup>4</sup> *Id.*, fn. 68.

the same types of services included in Virgin Mobile *Beyond Talk* and payLo plans available to non-Lifeline customers, including messaging services and data services to supplement the Assurance Wireless offerings at their option.

In addition to offering Lifeline subscribers excellent value on voice and text services and the opportunity to purchase all services available to non-Lifeline customers, Virgin Mobile's Lifeline only offerings are uniquely designed to ensure that Lifeline subscribers remain connected even if their financial position deteriorates from month to month. Assurance Wireless customers who select the \$5 or \$20 plans receive 250 free voice minutes each month even if they cannot or do not pay the upgraded monthly plan charge, ensuring essential continuity of service for Lifeline customers. Virgin Mobile respectfully submits that the availability of three Assurance Wireless plans to Lifeline customer satisfies the public interest concern regarding plan availability for Lifeline customers. Assurance Wireless customers are not limited to one plan; they have the choice of three plans depending on the level of anticipated usage. And all three plans contain as a component 250 free voice minutes each month, ensuring that Lifeline customers remain connected during even the most financially challenging times.

Virgin Mobile Lifeline customers would not necessarily be better served by mandating that the Lifeline discount be applied to all Virgin Mobile *Beyond Talk* and payLo Plans. By the terms under which these plans are generally available, the *Beyond Talk* plans and payLo monthly plans require a timely monthly payment in order for a customer to keep his or her account current and maintain service. By its nature, prepaid wireless service is delivered when the customer purchases the service, unlike postpaid service, for which the customer pays for the prior month's service. Prepaid service offers desirable flexibility, permitting customers to move on and off the service or change service plans from month to month, without the constraint and

financial burden of a long-term service contract. If a customer does not wish to purchase service in a particular month or otherwise does not make payment on the monthly payment due date for the *Beyond Talk* or payLo monthly plans, the customer's service is discontinued with the exception of 911 access. Virgin Mobile respectfully submits that making these plans available to Lifeline customers would place low-income customers at risk of a lapse in service each month if a customer were unable to or otherwise failed to make their monthly payment on time. The Assurance Wireless plans are designed to ensure that prepaid Lifeline customers receive 250 minutes each month regardless of availability of funds in the customer's account in a given month. For instance, if a customer on the Assurance Wireless \$5 plan does not have \$5 available in his or her account on the monthly payment due date, the customer receives 250 free minutes that month with no service interruption.

The potential costs of mandating the application of the Lifeline discount to all service plans with a voice component could be substantial for prepaid wireless ETCs such as Virgin Mobile. These costs have the potential to negatively impact the value currently available to Lifeline customers. In order to offer the currently advertised Virgin Mobile *Beyond Talk* and payLo plans to Assurance Wireless customers, these offers would need to be replicated on the Assurance Wireless information technology ("IT") platform. Replication would be required in part to ensure that Virgin Mobile Lifeline customers are tracked separately and their accounts administered in compliance with federal and state requirements. The technical and personnel costs associated with replication would be in the millions of dollars for the replication of only currently advertising Virgin Mobile plans. Virgin Mobile refreshes its offers at least once a year. In order to continue to offer Assurance Wireless customers the choice of all plans available to Virgin Mobile non-Lifeline customers going forward, Virgin Mobile would continue to incur

substantial IT costs to update the Assurance Wireless platform on at least an annual basis, and perhaps more frequently, depending on how often Virgin Mobile plans were refreshed. As more offers were added to the platform, Virgin Mobile would incur ongoing technical and personnel costs to maintain the expanding Assurance Wireless platform.

If Assurance Wireless were to make available to its customers currently advertised Virgin Mobile plans, the question would arise from state regulatory authorities and customers in the 34 states in which it is authorized to offer Lifeline service as to why Virgin Mobile could not permit existing customers to receive a Lifeline discount on Virgin Mobile plans that are no longer being actively marketed but on which existing customers have been grandfathered. Virgin Mobile has customers enrolled in more than 50 different plans. The technical and personnel costs associated with adding all grandfathered Virgin Mobile plans to the Assurance Wireless IT platform would approach \$10 million. The ongoing costs of maintaining these plans would be substantial.

In addition to the IT costs associated with making available current, future and previously available Virgin Mobile plans to Assurance Wireless customers, the business would incur a number of substantial related costs. To ensure compliance with federal and state requirements, Virgin Mobile must closely monitor each Assurance Wireless customer's activity and ongoing Lifeline eligibility. Customer Base Management would incur substantial costs to track customer activity across a number of service plans to ensure that several million Lifeline customers remained active and eligible for Lifeline service and were meeting the terms of the plans in which they were enrolled. Customer Care would be required to expand its training and educational efforts for representatives to manage the various plans, and to upgrade and maintain the Care IT platform on an ongoing basis to keep its personnel apprised of the available offers and their terms of service. At the same time, the entire Assurance Wireless IT budget would be

consumed by offer updates and maintenance, effectively foreclosing the opportunity for non-essential IT upgrades to improve service, better track customer eligibility, and so on. Virtually every aspect of the business would incur additional costs in connection with a requirement to offer plans beyond the three Assurance Wireless plans. These are but a few examples.

For ETCs to argue that providing monthly support for all bundled service plans is burdensome is anything but “Orwellian,” as NASUCA suggests – it is simply a fact of the prepaid wireless business model and underlying operations.<sup>5</sup> The cost of mandated offerings would reach into the millions of dollars and result in substantial ongoing expense for Virgin Mobile, potentially compromising the high value offers that millions of Lifeline subscribers have chosen. It is worth noting that to date Virgin Mobile has been designated as an ETC in five of the six states that NASUCA cites as having mandates of the type contemplated in the FNPRM<sup>6</sup> -- California, Kansas, Oregon Texas and Utah – and that in every one of those five states the mandate was not applied to or waived for Virgin Mobile’s Lifeline service.<sup>7</sup>

Sprint respectfully submits that before the Commission contemplates imposing a mandate that the current rules explicitly permitting the application of the Lifeline discount to bundled service be permitted to take hold in the Lifeline marketplace. Given the level of competition, it is reasonable to anticipate that ETCs, including prepaid wireless carriers, will develop Lifeline

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<sup>5</sup> *Comments of the National Association of State Utility Consumer Advocates on the Further Notice of Proposed Rulemaking* (Apr. 2, 2012), p. 20.

<sup>6</sup> *Id.*, p. 18.

<sup>7</sup> California Public Utilities Commission, Resolution T-17284 (May 5, 2011); Kansas State Corporation Commission, Docket No. 10-VMBZ-657-ETC, Order Granting Virgin Mobile USA, L.P.’ Petition for Limited Designation as an Eligible Telecommunications Carrier and Motion for Waiver of the Lifeline Call Plan Rule (Nov. 2, 2011); Oregon Public Utility Commission, Docket No. UM-1522, Order (Jan. 23, 2012); Texas Public Utility Commission, Docket 38056, Order No. 6 Notice of Approval for Designation as an Eligible Telecommunications Carrier (May 18, 2010); Utah Public Service Commission, Docket No. 10-2521-01, Report and Order (May 25, 2011).

plans that incorporate data and other service components at a value to Lifeline subscribers that matches or exceeds plans available to non-Lifeline customers. If and when a Lifeline discount is made applicable to broadband service, Sprint respectfully submits that the same guiding principle should apply.

Respectfully submitted,

SPRINT NEXTEL CORPORATION



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May 1, 2012

## CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Comments of Sprint Nextel Corporation was filed electronically or via US Mail on this 1st day of May, 2012 to the parties listed below.

*/s/ Jo-Ann Monroe*

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